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Message Text

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60
ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 AGR-20 TRSE-00 STR-08 COME-00

CIAE-00 DODE-00 INR-11 NSAE-00 PA-04 RSC-01 USIA-15

PRS-01 SP-03 IO-14 SWF-02 AID-20 DRC-01 SS-20 PM-07

NSC-07 /166 W
---------- 096467
P R 202057Z SEP 74
FM AMEMBASSY PANAMA
TO SECSTATE WASHDC PRIORITY 1875
INFO PAN CANAL
USSOUTHCOM
AMEMBASSY GUATEMALA CITY
AMEMBASSY BOGOTA
AMEMBASSY MANAGUA
AMEMBASSY QUITO
AMEMBASSY TEGUCIGALPA
AMEMBASSY SAN JOSE
AMCONSUL GUAYAQUIL

C O N F I D E N T I A L PANAMA 5574

EO 11652: GDS
TAGS: ETRD, PN
SUBJ: BANANAS: BANANA EXPORT TAX

REF: PANAMA 5535

SUMMARY: THIS WEEK'S UPEB MEETING DID NOT RESULT IN AGREEMENT ON UNIFORM BANANA EXPORT TAX. REPORT IN TODAY'S LOCAL PRESS MAY FORETELL GOP INTENTIONS REGARDING UNILATERAL CHANGE IN PANAMANIAN TAX. END SUMMARY.

1. "LA ESTRELLA" REPORTS TODAY THAT PANAMA PROPOSED TO UPEB A SLIDING SCALE FOR BANANA EXPORT TAX BASED ON VOLUME OF SHIPMENTS. SCALE WOULD START AT $1.00 A BOX FOR SHIPMENT OF 250,000 BOXES WEEKLY AND PROVIDE FOR PROGESSIVE REDUCTION OF
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TAX TO BETWEEN 40 AND 50 CENTS A BOX FOR WEEKLY SHIPMENT

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OF 600,000 BOXES. COMMERCE MINISTER MANFREDO IS REPORTED
TO HAVE SAID THAT PROPOSAL WOULD ASSURE MEMBERS OF SUBSTANTIAL
FISCAL REVENUE, PROVIDE AN INCENTIVE FOR EXPORTS, AND KEEP UPEB
COUNTRIES COMPETITIVE WITH OTHER BANANA EXPORTERS THAT DO NOT

APPLY TAX; HE POINTED OUT THAT UNITED BRANDS (UB) WOULD BE
SUBJECT TO MINIMUM TAX IF IT CONTINUED SHIPMENTS AT LEVEL OF
LAST THREE YEARS, BUT IF SHIPMENTS REDUCED, TAX WOULD GO UP
CORRESPONDINGLY.

2. WHILE CASTING SCHEME IN TERMS OF A PROPOSED UNIFORM TAX,
REPORT ALSO INDICATED MANFREDO TOLD UPEB THAT PANAMA DID NOT
WISH TO CHANGE ITS OWN TAX UNILATERALLY WITHOUT COMMUNICATING
INTENTION TO THE ORGANIZATION, "WHICH REACTED FAVORABLY TO THIS
NOTIFICATION."

3. REPORT INDICATES OTHER UPEB MEMBERS WILL STUDY PROPOSAL.
PRINCIPAL UPEB DELEGATES HAVE ALL DEPARTED PANAMA, SO THAT NO
AGREEMENT ON UNIFORM EXPORT TAX POSSIBLE AT THIS TIME.

4. COMMENT: EMBASSY HAS NOT YET BEEN ABLE TO CONFIRM VALIDITY
OF REPORT, IN THE ABSENCE OF BOTH MANFEDO AND VICE MINISTER.
REPORT APPEARS TO BE TRIAL BALLOON FOR UNILATERAL CHANGE OF
PANAMANIAN EXPORT TAX WHICH GOP OBLIGATED TO MAKE IN ABSENCE
OF AGREED UNIFORM TAX UNDER TERMS OF SEPTEMBER 3 GOP-UB
AGREMENT, WHICH CALLS FOR CHANGE WITHIN 15 DAYSOF RESUMPTION
OF SHIPMENTS, I.E. SEPTEMBER 21. IT MAY ALSO BE EFFORT TO PREPARE
PANAMANIAN PUBLIC FOR UNILATERAL CHANGE FROM CURRENT $1.00
TAX, GIVING AN APPEARANCE OF AT LEAST PARTIAL UPEB
BLESSING TO SUCH A CHANGE.

5. WITH COSTA RICAN AND HONDURAN TAXES PRESUMABLY REMAINING
AT 25 CENTS A BOX, A NEW PANAMANIAN TAX EVEN AT LOWEST LEVEL
ENVISAGED BY SCHEME, 40 TO 50 CENTS A BOX, WOULD NOT APPEAR
TO MEET AGREEMENT PROVISION THAT SUCH TAX BE FIXED TO MAKE
PANAMANIAN BANANA INDUSTRY COMPETITIVE WITH OTHER IMPORTANT
PRODUCING COUNTRIES. IT IS ALSO DOUBTFUL THAT UB WOULD QUALIFY
FOR LOWEST TAX UNDER PROPOSAL, AS IT HAS NOT AVERAGED SHIPMENT
OF 600,000 BOXES WEEKLY SINCE 1972, WHICH WAS VERY GOOD YEAR.
AVERAGE WEEKLY SHIPMENT IN 1974 UP TO JULY CUTOFF WAS 442,000
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BOXES; IN 1973, 567,000 BOXES. IT IS HARD TO SEE WHAT
ATTRACTION PROPOSAL WOULD HAVE FOR OTHER UPEB MEMBERS OR
TO UNDERSTAND ALLEGED MANFREDO STATEMENT THAT
SCHEME WOULD HELP MEMBERS MAINTAIN COMPETITIVENESS WITH OTHER
PRODUCERS NOT APPLYING TAX. END COMMENT.
JORDEN

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